

Kalamazoo Public Library
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

CONTENTS

Page

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

i - vii

BASIC FINANCIAL STATEMENTS:

Government-wide financial statements:

Statement of net assets

4

Statement of activities

5

Fund financial statements:

Balance sheet - Governmental funds

6

Statement of revenues, expenditures, and changes in fund balances -
Governmental funds

7

Notes to financial statements

8 - 18

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary comparison schedule:

General Fund

19

Analysis of funding progress - Employee Retirement System

20

SUPPLEMENTARY INFORMATION:

Combining balance sheet - non-major governmental funds

21

Combining statement of revenues, expenditures and changes
in fund balances - non-major governmental funds

22

Statement of revenues, expenditures, and changes in fund balance -
budget to actual – General Fund

23-24

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Kalamazoo Public Library, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Kalamazoo Public Library, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kalamazoo Public Library, Michigan, as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and analysis of funding progress - employee retirement system on pages i through vii and 19 through 20, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Kalamazoo Public Library, Michigan's basic financial statements. The combining fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Kalamazoo Public Library, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

September 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management and board of the Kalamazoo Public Library, we offer readers of the Kalamazoo Public Library financial statements this narrative overview and analysis of the financial activities of Kalamazoo Public Library for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of Kalamazoo Public Library exceeded its liabilities at the close of the most recent fiscal year by \$9,768,890. Of this amount, \$788,203 may be used to meet the Kalamazoo Public Library's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, Kalamazoo Public Library's governmental funds reported combined ending fund balances of \$5,768,518, an increase of \$278,410 in comparison with the prior year. Approximately 14.0% of the total fund balances, \$811,178 is available for spending at the Kalamazoo Public Library's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$783,332, or 9.8% of total General Fund expenditures.
- The Kalamazoo Public Library's long-term debt decreased by \$1,475,000 (11.4%) during the current fiscal year, attributed to the payment of bond principal. No new debt was issued during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Kalamazoo Public Library's basic financial statements. The Kalamazoo Public Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Kalamazoo Public Library's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Kalamazoo Public Library's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Kalamazoo Public Library's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Kalamazoo Public Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Kalamazoo Public Library that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Kalamazoo Public Library include a single program function, culture and recreation, and two major funds reported separately from the general library operations, the Debt Service Fund and the Endowment Fund.

The government-wide financial statements can be found on pages 4-5 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kalamazoo Public Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Kalamazoo Public Library are classified as governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Kalamazoo Public Library maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Endowment Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Kalamazoo Public Library adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-18 of this report.

Required Supplementary Information

Following the basic financial statements and related notes is additional required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes a budgetary comparison schedule for the General Fund and an analysis of funding progress concerning the Kalamazoo Public Library's progress in funding its obligation to provide *pension benefits* to its employees. Required supplementary information can be found on pages 19-20 of this report.

Supplementary Information

Following the required supplementary information are combining statements for non-major governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements. Combining and individual fund statements and schedules can be found on pages 21-24 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Kalamazoo Public Library, assets exceeded liabilities by \$9,768,890 at the close of the most recent fiscal year.

By far the most significant portion of the Kalamazoo Public Library's net assets (42.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Kalamazoo Public Library used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Kalamazoo Public Library's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Kalamazoo Public Library Net Assets

	<u>2003-2004</u>	<u>2002-2003</u>
Current and Other Assets	\$ 6,170,786	\$ 5,809,058
Capital Assets	<u>15,781,660</u>	<u>16,481,141</u>
Total Assets	<u>21,952,446</u>	<u>22,290,199</u>
Long-term Debt	11,600,000	13,075,000
Other Liabilities	<u>583,556</u>	<u>666,715</u>
Total Liabilities	<u>12,183,556</u>	<u>13,741,715</u>
Net Assets:		
Invested in Capital Assets		
net of related debt	4,181,660	3,406,141
Restricted for nonexpendable endowment	1,336,863	1,165,915
Unrestricted	<u>4,250,367</u>	<u>3,976,428</u>
Total Net Assets	<u>\$ 9,768,890</u>	<u>\$ 8,548,484</u>

An additional portion of the Kalamazoo Public Library's net assets (50.8%) represents resources that are subject to external restrictions on how they may be used or have been reserved for specific purposes by the board. The remaining balance of unreserved, undesignated (\$788,203) may be used to meet the Kalamazoo Public Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Kalamazoo Public Library is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate major fund groupings.

The Kalamazoo Public Library's net assets increased by \$1,220,406 during the current fiscal year as discussed below.

Governmental activities. Governmental activities increased the Kalamazoo Public Library's net assets by \$1,220,406. Key elements of this increase are attributable to the continuation of planned capital investment while meeting the bond payment schedule and realizing forecasted property tax revenue projections. Overall, expenses decreased in comparison to the previous year while taxable values grew for the library district by 3.4% overall.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Several noteworthy exceptions, however, are: the cost growth for medical and dental benefits increasing from 17% to 20% from the prior year; and non-recurring costs associated with "Library of the Year" occurring during fiscal year 2002-2003. Although Kalamazoo Public Library's employee compensation is based upon total compensation including benefits, the cost of medical, dental and retirement benefits grew beyond the increase generated by taxable value growth over the same period.

Financial Analysis of the Kalamazoo Public Library's Funds

As noted earlier, the Kalamazoo Public Library used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Kalamazoo Public Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Kalamazoo Public Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a Kalamazoo Public Library's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Kalamazoo Public Library's governmental funds reported combined ending fund balances of \$5,768,518, an increase of \$278,410 in comparison with the prior year. Approximately 14% of this total amount, \$811,178, constitutes *unreserved, undesignated fund balance*, which is available for spending at the Kalamazoo Public Library's discretion. The remainder of fund balance is either reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to pay debt service (\$294,080), (2) to support cash flow needs for the first half of the following fiscal year (\$2,400,000), (3) to pay the potential liability for the repayment of taxes paid and in dispute (\$115,000), (4) to pay for future capital projects (\$362,085), (5) reserved as a permanent endowment fund for Kalamazoo Public Library (\$1,336,863) including a Children's Endowment (\$13,529), or (6) reserved for purchase commitments for materials and services as of June 30, 2004 (\$158,313).

The General Fund is the chief operating fund of the Kalamazoo Public Library. At the end of the current fiscal year, unreserved fund balance of the General Fund totaled \$783,332 and the total fund balance was \$3,456,645. Unreserved fund balance represents 9.8% of total General Fund expenditures.

The fund balance of the Kalamazoo Public Library General Fund increased by \$188,961 during the current fiscal year. The Library adopted a conservative approach to expenditures in fiscal year 2003-2004 which contributed to the increase and reflected the ongoing uncertainty in the national, state, and local economies. The Library experienced some cost saving through staff attrition via retirement, sharp reductions in its marketing budget, and reworking of the bookmobile schedule that resulted in substantially fewer stops.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a decrease of \$55,320 in revenue, reflecting changes in taxable value as reported by the respective governmental boards of review, and reductions in distributed district court penal fines. Expenditures were projected to increase an additional \$126,970 in the final amended budget including additional allocations for materials, staff retirements, and service contracts.

Capital Asset and Debt Administration

Capital assets. The Kalamazoo Public Library's investment in capital assets for its governmental activities as of June 30, 2004, was \$15,781,660. This investment in capital assets includes: land, buildings, furniture and equipment, computer systems, and library materials. The total increase in the Kalamazoo Public Library's investment in capital assets for the current fiscal year was 4.2%.

Major capital asset events during the current fiscal year included the following: the replacement of public access PC's, acquisition of a new test server to support library cataloging and circulation software upgrades, and acquisition of books and materials.

Details of the Kalamazoo Public Library's capital assets are continued in Note 7 to the financial statements.

Long-term debt. At the end of the current fiscal year, the Kalamazoo Public Library had total bonded debt outstanding of \$11,600,000, the entirety of which is backed by the full faith and credit of the government.

Additional information on the Kalamazoo Public Library's long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Kalamazoo Public Library's primary revenue source is local property taxes. It accounts for approximately 90% of all library revenues. The Library's voted millage is applied to all areas within the Kalamazoo Public School District, the Mattawan and Otsego School Districts within Oshtemo Township, the Portage and Comstock School Districts within the city of Kalamazoo, and the Comstock School District within Kalamazoo Township.

In 1990, voters approved a tax levy of 2.88 mills that expires in 2010. In 1995, voters approved an additional levy of 1.12 mills that expires in 2015. Subsequent to the passage of these tax levies the library's tax rates have been rolled back to 2.7782 and 1.1801, respectively, totaling 3.9583 mills through the application of the Headlee amendment.

For the fiscal year that concluded June 30, 2004, gross tax revenue based upon taxable value was originally projected at \$9.4 million; actual tax levy totaled \$9.3 million. The reason for the reduction is directly attributable to a variety of tax capture mechanisms available to municipalities and the diverse manner in which local municipalities have responded to changes in how depreciation schedules adopted by Michigan's Treasury Department in 2000 are being applied, especially in relation to Consumers Energy.

The primary tax-capture mechanisms that affect revenue growth within the library district are the Downtown Development Authority's (DDA) Tax Increment Financing Authority (TIFA), the creation of an Enterprise Zone on previously tax-exempt property, and the designation of several properties as Brownfield. Each of these programs has a similar effect on Library revenues. The reported taxable value, primarily from the city of Kalamazoo, must be discounted to accommodate the reality that the library's taxes in these areas are being redirected through the application of state laws.

The Library recently discovered through detailed discussions with each of the taxing municipalities within its district that the City of Kalamazoo is still taxing Consumers Energy based on the depreciation schedule in effect prior to 2000. Consumers Energy is disputing this interpretation and its taxes are in abeyance, however, the net effect is to inflate reported taxable value within the City of Kalamazoo.

The Library has traditionally discounted its revenue projections to account for legislative initiatives that redirect library funds to other purposes. The Library has also maintained a reserve to refund taxes paid by Consumers Energy prior to 2000 once all legal action is concluded. However, the ongoing growth of tax-capture mechanisms, reporting methods that are imprecise, and the ongoing dispute with Consumers Energy have had an impact on the Library's ability to predict tax revenues.

The Library's response has been to lower its revenue projection and reduce its unreserved fund balance. This in no way affects library service delivery in the year concluding June 30, 2004. Although there were no major new initiatives, usage was consistent with previous years. The yearly work plan internally cited as the Tactical Plan was updated in December 2003. During the current fiscal year, unreserved fund balance in the General Fund increased to \$783,332. The Kalamazoo Public Library has presented a budget in the 2004-2005 fiscal year drawing on those increased funds for \$193,460 operating expenses.

The economic outlook for the fiscal year beginning July 1, 2004, is somewhat stronger than the previous one. Tax growth is projected at 3.92% and expenditures from fiscal year 2003-2004 are predicted to be 3% to 4% percent below budget. This allows the Library a slightly greater level of flexibility in meeting its mission. Of concern on the revenue side of the equation is the volatility of penal fines. Over the last two years this revenue, which is generated primarily through the enforcement of traffic laws such as speeding tickets and overweight trucks, has decreased approximately 25%.

In fiscal year 2004-2005, the Library will increase staff slightly to improve service delivery in marketing, information technology and reference services. There will be investments in a self-checkout device for circulation of materials and in new print and time control software for computers to offer more patron convenience and a more consistent experience for library users. There will also be increases in the Library's materials and marketing budgets.

Requests for Information

This financial report is designed to provide a general overview of Kalamazoo Public Library's finances for all those with an interest in the Kalamazoo Public Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Head of Finance and Budget, Kalamazoo Public Library, 315 S. Rose St., Kalamazoo, MI 49007.

BASIC FINANCIAL STATEMENTS

Kalamazoo Public Library
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS

Current assets

Cash	\$ 3,604,563
Investments	1,486,496
Taxes receivable (net of allowance for uncollectibles)	764,601
Due from other governmental units	95,711
Other assets	142,083
Beneficial interest in assets held by foundation	<u>77,332</u>

Total current assets 6,170,786

Noncurrent assets

Capital assets (net of accumulated depreciation)	<u>15,781,660</u>
--	-------------------

Total assets 21,952,446

LIABILITIES

Current liabilities

Accounts payable	175,265
Salaries and wages payable	79,726
Retirement payable	11,107
Interest payable	94,767
Current portion of long-term obligations	<u>1,470,711</u>

Total current liabilities 1,831,576

Noncurrent liabilities

Compensated absences	180,181
Claims and assessments payable	21,799
Long-term debt	<u>10,150,000</u>

Total noncurrent liabilities 10,351,980

Total liabilities 12,183,556

NET ASSETS

Invested in capital assets, net of related debt	4,181,660
Restricted for nonexpendable endowment	1,336,863
Unrestricted	<u>4,250,367</u>

Total net assets \$ 9,768,890

See notes to the financial statements

Kalamazoo Public Library
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Program expenses

Recreation and cultural - Library:

Salaries	\$ 4,033,307
Benefits	1,517,783
Materials	296,779
Utilities	189,250
Supplies	189,691
Facilities management	118,582
Depreciation	1,341,115
Interest	625,573
Other	<u>1,292,671</u>

Total program expenses 9,604,751

Program revenues

Charges for services	133,008
Operating grants and contributions	<u>139,028</u>

Total program revenues 272,036

Net program expenses (9,332,715)

General revenues

Property taxes	9,461,301
IFT/CFT taxes	75,634
State grants	378,142
District court penal fines	277,434
Investment return	221,691
Other	<u>138,919</u>

Total general revenues 10,553,121

Change in net assets 1,220,406

Net assets - beginning of year 8,548,484

Net assets - end of year \$ 9,768,890

See notes to the financial statements

Kalamazoo Public Library
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	<i>General</i>	<i>Debt Service</i>	<i>Permanent Nonexpendable Trust</i>	<i>Other governmental funds</i>	<i>Totals</i>
ASSETS					
Cash	\$ 2,852,785	\$ 293,080	\$ 127,475	\$ 331,223	\$ 3,604,563
Investments	-	-	1,209,310	277,186	1,486,496
Taxes receivables (net of allowance)	764,601	-	-	-	764,601
Due from other funds	-	1,000	78	-	1,078
Due from other governmental units	95,711	-	-	-	95,711
Other assets	142,083	-	-	-	142,083
Beneficial interest in assets held by foundation	-	-	-	77,332	77,332
Total assets	<u>\$ 3,855,180</u>	<u>\$ 294,080</u>	<u>\$ 1,336,863</u>	<u>\$ 685,741</u>	<u>\$ 6,171,864</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	261,287	-	-	4,811	266,098
Due to other funds	1,078	-	-	-	1,078
Deferred revenue	136,170	-	-	-	136,170
Total liabilities	<u>398,535</u>	<u>-</u>	<u>-</u>	<u>4,811</u>	<u>403,346</u>
FUND BALANCE					
Reserved for:					
Encumbrances	158,313	-	-	-	158,313
Endowment	-	-	1,336,863	-	1,336,863
Unreserved					
Designated	2,515,000	294,080	-	653,084	3,462,164
Undesignated	783,332	-	-	27,846	811,178
Total fund balance	<u>3,456,645</u>	<u>294,080</u>	<u>1,336,863</u>	<u>680,930</u>	<u>5,768,518</u>
Total liabilities and fund balance	<u>\$ 3,855,180</u>	<u>\$ 294,080</u>	<u>\$ 1,336,863</u>	<u>\$ 685,741</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	15,781,660
Other long-term revenues, not available in the current period, are deferred in the funds	136,170
Accrued interest payable does not require recognition in the governmental funds	(94,767)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(11,822,691)</u>
Net assets of governmental funds	<u>\$ 9,768,890</u>

See notes to the financial statements

Kalamazoo Public Library
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - Governmental Funds

Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Nonexpendable Trust</u>	<u>Other governmental funds</u>	<u>Totals</u>
REVENUES					
Taxes	\$ 9,325,131	\$ -	\$ -	\$ -	\$ 9,325,131
IFT/CFT taxes	75,634	-	-	-	75,634
State grants	378,142	-	-	-	378,142
Charges for services	145,008	-	-	-	145,008
District court penal fines	277,434	-	-	-	277,434
Investment return	30,806	6,450	179,152	12,632	229,040
Other	169,115	-	78	100,423	269,616
<i>Total revenues</i>	<u>10,401,270</u>	<u>6,450</u>	<u>179,230</u>	<u>113,055</u>	<u>10,700,005</u>
EXPENDITURES					
Recreation and cultural	7,480,723	-	8,282	162,515	7,651,520
Capital outlay	535,586	-	-	122,786	658,372
Debt service:					
Principal	-	1,475,000	-	-	1,475,000
Interest	-	636,703	-	-	636,703
<i>Total expenditures</i>	<u>8,016,309</u>	<u>2,111,703</u>	<u>8,282</u>	<u>285,301</u>	<u>10,421,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,384,961</u>	<u>(2,105,253)</u>	<u>170,948</u>	<u>(172,246)</u>	<u>278,410</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,000	2,073,000	-	128,000	2,202,000
Transfers out	(2,197,000)	-	-	(5,000)	(2,202,000)
<i>Total other financing sources (uses)</i>	<u>(2,196,000)</u>	<u>2,073,000</u>	<u>-</u>	<u>123,000</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>188,961</u>	<u>(32,253)</u>	<u>170,948</u>	<u>(49,246)</u>	<u>278,410</u>
FUND BALANCES - BEGINNING OF YEAR	<u>3,267,684</u>	<u>326,333</u>	<u>1,165,915</u>	<u>730,176</u>	<u>5,490,108</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,456,645</u>	<u>\$ 294,080</u>	<u>\$ 1,336,863</u>	<u>\$ 680,930</u>	<u>\$ 5,768,518</u>
Net change in fund balances - total governmental funds					<u>\$ 278,410</u>

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.	
This is the amount by which depreciation exceeded capital outlay in the current period	(682,743)
The net effect of disposals and sales of capital assets to net assets	(16,738)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	122,328
Accrued interest on bonds payable not reported in the governmental fund statements	11,129
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	1,475,000
Reduction in claims and assessments payable	19,678
Reduction in the amount of compensated balances reduces the amount of salary expense during the year	13,342
Change in net assets of governmental activities	<u>\$ 1,220,406</u>

See notes to the financial statements

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Kalamazoo Public Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

These financial statements contain only the activity of the Kalamazoo Public Library, a district library pursuant to 1989 PA 24, effective April 2, 1990. The participating municipalities include the Kalamazoo School District, the City of Kalamazoo, the Township of Kalamazoo, and the Township of Oshtemo.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the nonexpendable trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Permanent Fund - the Nonexpendable Trust Fund accounts for resources legally held in trust, as an endowment, that are legally restricted to the extent that only earnings, and not principal, may be used to support the Library's programs.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide financial statements to the extent that those standards do no conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is proportionately allocated to all funds.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax receivables are presented net of an allowance for uncollectibles accounts.

iii) Other assets - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Materials	5 - 7 years

v) Compensated absences (vacation and sick leave) - Vacation leave is accrued as the benefits are earned by the employees and is vested by the employee up to a maximum balance determined by longevity and employee class. At termination of employment, employees are compensated for the balance accrued. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Sick leave benefits accumulate, but do not vest and are not payable upon termination of employment. No liability is reported for unpaid accumulated sick leave.

vi) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH AND INVESTMENTS:

A reconciliation of cash and investments, as shown in the combined balance sheet, to the Library's deposits and investments is as follows:

Financial statements:

Cash	\$3,604,563
Investments	<u>1,486,496</u>
	<u>\$5,091,059</u>

Notes to financial statements:

Deposits with financial institutions	\$3,603,793
Investments	1,486,496
Cash on hand	<u>770</u>
	<u>\$5,091,059</u>

a) Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority. At June 30, 2004, the Library has deposits with a carrying amount of \$3,603,793 and a bank balance of \$3,787,786. Of the bank balance, \$484,899 is covered by federal depository insurance and \$3,302,887 is uninsured.

b) Investments:

State statutes authorize the Library to invest in; a) obligations of the U.S. Treasury, agencies, and instrumentalities, b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days, c) repurchase agreements, collateralized by U.S. governmental securities, d) bankers' acceptances, and e) investment pools, such as common trust funds and mutual funds that invest in those investments allowed by state statute. Not more than 50% of any fund may be invested in commercial paper. Certain gift instruments allow for investment in corporate equities.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

b) Investments (continued):

The Library's investments are insured, registered, or for which the Library or its agent in the holds the securities.

Other than a U.S. Treasury note in the amount of \$98,906, no other single holding exceeds 5% of the total assets.

Investments consist of the following investment types:

	<u>Endowment fund</u>	<u>Other funds</u>	<u>Totals</u>
Corporate debentures	\$174,177	\$ -	\$ 174,177
Corporate equities	836,091	-	836,091
U.S. Government securities	199,042	-	199,042
Repurchase agreements	<u>-</u>	<u>277,186</u>	<u>277,186</u>
	<u>\$1,209,310</u>	<u>\$277,186</u>	<u>\$1,486,496</u>

NOTE 4 - MONIES HELD BY FOUNDATION:

Amounts shown as beneficial interest in assets held by foundation represent monies placed with the Kalamazoo Community Foundation (foundation) by the Library, specifying itself as the beneficiary. The Library and the foundation are unrelated entities. The Library has the right, at any time, to receive from the foundation all or a portion of the current balance of such monies held by the foundation. The foundation, as custodian of such funds, continues to report the funds as assets of the foundation, with a corresponding liability, agency non-endowed funds. The Library reports this asset at the present value of future payments expected to be received.

Additionally, funds for the benefit of the Library have been established at the foundation for the receipt of gifts from donors other than the Library. The terms of these funds allow annual distributions of gifts and or income thereon, subject to the foundation's unilateral variance power to redirect distributions. No asset is recorded for these funds, other than the annual grant (if any). During the year ended June 30, 2004, there were no grants received from these funds. The balance in these funds as of June 30, 2004, was \$36,924.

NOTE 5 - ENDOWMENT:

The assets restricted for endowment consist of contributions of \$1,002,003 and investment return of \$334,860, totaling \$1,336,863, none of which is available for expenditure. Beginning July 1, 2004, up to 50% of the earned income or capital growth of the fund may be designated for current project expenditures or reserved for future project expenditures, which will be determined by the Endowment Allocation Committee. The State of Michigan has not implemented law that limits the ability to spend net appreciation.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - RECEIVABLES:

All receivables as of year end for the government's individual major and non-major funds are current. Taxes receivable are net of allowances for doubtful accounts of \$137,077.

NOTE 7 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ <u>133,173</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>133,173</u>
Capital assets being depreciated:				
Buildings	15,812,619	-	-	15,812,619
Furniture, equipment and automation	3,600,217	122,786	398,233	3,324,770
Materials	<u>3,463,215</u>	<u>535,586</u>	<u>523,725</u>	<u>3,475,076</u>
Subtotal	<u>22,876,051</u>	<u>658,372</u>	<u>921,958</u>	<u>22,612,465</u>
Less accumulated depreciation for:				
Buildings	2,286,402	395,315	-	2,681,717
Furniture, fixtures and equipment	2,252,819	357,882	381,495	2,229,206
Materials	<u>1,988,862</u>	<u>587,918</u>	<u>523,725</u>	<u>2,053,055</u>
Subtotal	<u>6,528,083</u>	<u>1,341,115</u>	<u>905,220</u>	<u>6,963,978</u>
Net capital assets being depreciated	<u>16,347,968</u>	<u>(682,743)</u>	<u>16,738</u>	<u>15,648,487</u>
Total capital assets - net of depreciation	<u>\$16,481,141</u>	<u>\$ (682,743)</u>	<u>\$ 16,738</u>	<u>\$15,781,660</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS:

Long-term debt at June 30, 2004, is comprised of the following individual issues:

\$2,700,000 1995 Library facility limited tax general obligation bonds, due in annual installments of \$250,000 to \$375,000, beginning May 1, 1998 through May 1, 2005; interest payable at 4.1% to 4.8%	\$ 375,000
\$13,300,000 1996 Library facility limited tax general obligation bonds, due in annual installments of \$425,000 to \$1,000,000, beginning May 1, 1999 through May 1, 2014; interest payable at 3.9% to 5.4%	9,800,000
\$1,700,000 1997 Library equipment limited tax general obligation bonds, due in annual installments of \$250,000 to \$350,000, beginning May 1, 2000 through May 1, 2005; interest payable at 4.375% to 4.6%	225,000
\$1,250,000 2002 Library facility limited tax general obligation bonds, due in annual installments of \$25,000 to \$300,000, beginning May 1, 2003 through May 1, 2010; interest payable at 3% to 4%	<u>1,200,000</u>
	11,600,000
Less current maturities	<u>1,450,000</u>
	<u>\$10,150,000</u>

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM OBLIGATIONS (*Continued*):

a) Long-term obligation activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
1995 limited tax bonds	\$ 750,000	\$ -	\$ (375,000)	\$ 375,000	\$ 375,000
1996 limited tax bonds	10,525,000	-	(725,000)	9,800,000	800,000
1997 limited tax bonds	575,000	-	(350,000)	225,000	225,000
2002 limited tax bonds	<u>1,225,000</u>	<u>-</u>	<u>(25,000)</u>	<u>1,200,000</u>	<u>50,000</u>
Total long-term debt	13,075,000	-	(1,475,000)	10,150,000	1,450,000
Claims payable	62,188	-	(19,678)	42,510	20,711
Compensated absences	<u>193,523</u>	<u>272,900</u>	<u>(286,242)</u>	<u>180,181</u>	<u>-</u>
Total long-term obligations	<u>\$13,330,711</u>	<u>\$272,900</u>	<u>\$ (1,780,920)</u>	<u>\$11,822,691</u>	<u>\$1,470,711</u>

b) Debt service requirements at June 30, 2004, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2005	\$ 1,450,000	\$ 563,427
2006	1,130,000	501,828
2007	1,185,000	450,408
2008	1,240,000	396,118
2009	1,295,000	338,357
2010 - 2015	<u>5,300,000</u>	<u>815,000</u>
Totals	<u>\$11,600,000</u>	<u>\$3,065,138</u>

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
Debt Service	\$1,000	General	<u>\$1,078</u>
Nonexpendable Trust	<u>78</u>		
Total	<u>\$1,078</u>		

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (*Continued*):

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Debt Service	\$2,073,000	General	\$2,073,000
Other governmental funds	124,000	General	124,000
General	<u>1,000</u>	Other governmental funds	<u>1,000</u>
Total	<u>\$2,198,000</u>	Total	<u>\$2,198,000</u>

In 2004, transfers totaling \$2,198,000 were used to finance debt requirements and capital asset acquisitions.

NOTE 10 - FUND EQUITY:

Reserved/Designated fund equity:

General Fund:

Reserved for encumbrances	\$ <u>158,313</u>
Designated for debt service	\$2,400,000
Designated for Consumers Energy liability	<u>115,000</u>
	<u>\$2,515,000</u>

Nonexpendable Trust Fund:

Reserved for endowment	<u>\$1,336,863</u>
------------------------	--------------------

NOTE 11 - RISK MANAGEMENT:

The Library is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance. Insurance coverage includes protection for buildings and contents up to a limit of \$33,808,423; workers' compensation coverage is limited to \$1,000,000; and general liability limits are \$3,000,000 per occurrence.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - CONTINGENT LIABILITIES:

a) The Library is contingently liable to its employees for approximately \$1,031,039 in accumulated non-vested sick pay benefits (unadjusted for attrition).

b) Consumers Energy Company has challenged its assessed valuation of the personal property that it owns in the State of Michigan, including property it owns within the Library district for the years 1997, 1998, and 1999. The specific issue involved is the true cash value of the personal property. It is reasonably possible that the court's decision may result unfavorably on the Library and result in an estimated loss of approximately \$115,000.

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS:

a) Available plans and covered employees:

Library employees who participated in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer public school employee defined benefit plan, while being employees of the School District, are allowed by state statute to continue their participation in the MPERS or to elect to participate in the Municipal Employees' Retirement System (MERS), an agent multiple-employer public employee defined benefit plan. New employees of the Library, as of April 2, 1990, can only participate in the MERS.

b) MPERS:

Plan description:

MPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Article 30 of the Regulations of the State of Michigan assigns the authority to establish and amend benefit provisions to the MPERS Board of Trustees. The MPERS issues a publicly-available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to MPERS, P.O. Box 30673, Lansing, Michigan 48909-8103, or by calling 1-800-381-5111.

Funding policy:

For the current fiscal year, the Library was required to contribute 12.99% of its annual covered payroll. The contribution requirements of the Plan members are established, and may be amended, by the MPERS Board of Trustees. The Library's contributions to the Plan for the years ending June 30, 2004, 2003, and 2002, were \$264,085, \$277,851, and \$263,016, respectively, equal to the required contributions for each year.

Kalamazoo Public Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - DEFINED BENEFIT RETIREMENT PLANS (*Continued*):

c) *MERS:*

Description of plan and plan assets:

The Library's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Library's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Kalamazoo Public Library. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

i) *Funding policy:*

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Library is required to contribute at an actuarially determined rate, which is currently 7.65% to 12.2% of annual covered payroll depending on the plan. The contribution requirements of plan members are established, and may be amended, by MERS.

For the year ended June 30, 2004, the Library contributions were \$129,896, which were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

ii) *Trend information:*

<u>Fiscal year ended June 30,</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2002	\$125,485	100%	\$ -
2003	120,782	100%	-
2004	129,896	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

Kalamazoo Public Library
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 9,358,229	\$ 9,390,345	\$ 9,325,131	\$ (65,214)
IFT/CFT taxes	79,788	68,898	75,634	6,736
State grants	366,529	378,149	378,142	(7)
Charges for services	135,000	135,000	145,008	10,008
District court penal fines	340,000	280,000	277,434	(2,566)
Investment return	50,000	40,000	30,806	(9,194)
Other	185,500	167,334	169,115	1,781
<i>Total revenues</i>	<u>10,515,046</u>	<u>10,459,726</u>	<u>10,401,270</u>	<u>(58,456)</u>
EXPENDITURES				
Recreation and culture	7,678,150	7,790,870	7,480,723	310,147
Capital outlay	568,749	582,999	535,586	47,413
<i>Total expenditures</i>	<u>8,246,899</u>	<u>8,373,869</u>	<u>8,016,309</u>	<u>357,560</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,268,147</u>	<u>2,085,857</u>	<u>2,384,961</u>	<u>299,104</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	1,000	1,000	-
Operating transfers out	<u>(2,132,000)</u>	<u>(2,197,000)</u>	<u>(2,197,000)</u>	<u>-</u>
<i>Total other financing uses</i>	<u>(2,132,000)</u>	<u>(2,196,000)</u>	<u>(2,196,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	136,147	(110,143)	188,961	299,104
FUND BALANCE - BEGINNING OF YEAR	<u>3,267,684</u>	<u>3,267,684</u>	<u>3,267,684</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,403,831</u>	<u>\$ 3,157,541</u>	<u>\$ 3,456,645</u>	<u>\$ 299,104</u>

Kalamazoo Public Library
ANALYSIS OF FUNDING PROGRESS - Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the dates indicated.

<i>Actuarial valuation date <u>December 31</u></i>	<i>Actuarial value of assets <u>(a)</u></i>	<i>Actuarial accrued liability (AAL) entry age <u>(b)</u></i>	<i>Underfunded (overfunded) AAL(UAAL) <u>(b-a)</u></i>	<i>Funded ratio <u>(a/b)</u></i>	<i>Covered payroll <u>(c)</u></i>	<i>UAL as a percentage of covered payroll <u>((b-a)/c)</u></i>
1994	48,485	91,132	42,647	53%	187,244	23%
1995	73,298	134,594	61,296	54%	216,502	28%
1996	107,192	194,226	87,034	55%	333,119	26%
1997	151,000	250,609	99,609	60%	439,487	23%
1998	206,456	331,562	125,106	62%	609,291	21%
1999	307,305	435,593	128,288	71%	882,641	15%
2000	441,943	605,061	163,118	73%	1,000,672	16%
2001	612,316	792,085	179,769	77%	1,096,708	16%
2002	787,550	1,093,129	305,579	72%	1,258,430	25%
2003	1,010,296	1,351,399	341,103	75%	1,390,479	25%

SUPPLEMENTARY INFORMATION

Kalamazoo Public Library
COMBINING BALANCE SHEET - Non-Major Governmental Funds
June 30, 2004

	<i>Special revenue funds</i>				<i>Capital Projects</i>	<i>Total Non-Major Governmental Funds</i>
	<i>Agency Gifts</i>	<i>Reading Together</i>	<i>Ready to Read</i>	<i>Gifts & Memorials</i>		
ASSETS						
Cash	\$ 111,676	\$ 3,548	\$ 93,442	\$ 37,658	\$ 84,899	\$ 331,223
Investments	-	-	-	-	277,186	277,186
Beneficial interest in assets held by foundation	67,839	-	-	9,493	-	77,332
<i>Total assets</i>	<u>\$ 179,515</u>	<u>\$ 3,548</u>	<u>\$ 93,442</u>	<u>\$ 47,151</u>	<u>\$ 362,085</u>	<u>\$ 685,741</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 704	\$ -	\$ 4,084	\$ 23	\$ -	\$ 4,811
FUND BALANCE						
Unrestricted	<u>178,811</u>	<u>3,548</u>	<u>89,358</u>	<u>47,128</u>	<u>362,085</u>	<u>680,930</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 179,515</u>	<u>\$ 3,548</u>	<u>\$ 93,442</u>	<u>\$ 47,151</u>	<u>\$ 362,085</u>	<u>\$ 685,741</u>

Kalamazoo Public Library
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Non-Major Governmental Funds
Year ended June 30, 2004

	<i>Special revenue funds</i>				<i>Capital Projects</i>	<i>Total Non-Major Governmental Funds</i>
	<i>Agency Gifts</i>	<i>Reading Together</i>	<i>Ready to Read</i>	<i>Gifts & Memorials</i>		
REVENUES						
Investment return	\$ 7,763	\$ 169	\$ 956	\$ 1,156	\$ 2,588	\$ 12,632
Other	35,462	30,250	26,127	7,840	744	100,423
<i>Total revenues</i>	<u>43,225</u>	<u>30,419</u>	<u>27,083</u>	<u>8,996</u>	<u>3,332</u>	<u>113,055</u>
EXPENDITURES						
Recreation and cultural	48,930	33,211	35,036	4,509	40,829	162,515
Capital outlay	18,116	-	-	-	104,670	122,786
<i>Total expenditures</i>	<u>67,046</u>	<u>33,211</u>	<u>35,036</u>	<u>4,509</u>	<u>145,499</u>	<u>285,301</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,821)</u>	<u>(2,792)</u>	<u>(7,953)</u>	<u>4,487</u>	<u>(142,167)</u>	<u>(172,246)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfer in	4,000	-	-	-	124,000	128,000
Operating transfer out	-	-	-	(5,000)	-	(5,000)
<i>Total other financing sources (uses)</i>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>124,000</u>	<u>123,000</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(19,821)</u>	<u>(2,792)</u>	<u>(7,953)</u>	<u>(513)</u>	<u>(18,167)</u>	<u>(49,246)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>198,632</u>	<u>6,340</u>	<u>97,311</u>	<u>47,641</u>	<u>380,252</u>	<u>730,176</u>
FUND BALANCE - END OF YEAR	<u>\$ 178,811</u>	<u>\$ 3,548</u>	<u>\$ 89,358</u>	<u>\$ 47,128</u>	<u>\$ 362,085</u>	<u>\$ 680,930</u>

Kalamazoo Public Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund***Year ended June 30, 2004*

	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES			
Property taxes	\$ 9,390,345	\$ 9,325,131	\$ (65,214)
IFT/CFT taxes	68,898	75,634	6,736
State grants	378,149	378,142	(7)
Charges for services	135,000	145,008	10,008
District court penal fines	280,000	277,434	(2,566)
Investment return	40,000	30,806	(9,194)
Other	167,334	169,115	1,781
<i>Total revenues</i>	<u>10,459,726</u>	<u>10,401,270</u>	<u>(58,456)</u>
EXPENDITURES			
Recreation and cultural:			
Salaries	4,122,422	4,032,655	89,767
Benefits	1,547,079	1,516,713	30,366
Materials	367,080	358,906	8,174
Utilities	234,760	189,250	45,510
Supplies	213,765	188,747	25,018
Facilities management	135,239	118,581	16,658
Other	1,170,525	1,075,871	94,654
<i>Total recreation and cultural</i>	<u>7,790,870</u>	<u>7,480,723</u>	<u>310,147</u>
Capital outlay	<u>582,999</u>	<u>535,586</u>	<u>47,413</u>
<i>Total expenditures</i>	<u>8,373,869</u>	<u>8,016,309</u>	<u>357,560</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,085,857</u>	<u>2,384,961</u>	<u>299,104</u>

Kalamazoo Public Library**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - General Fund (Continued)***Year ended June 30, 2004*

	<i>Amended Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
OTHER FINANCING SOURCES (USES)			
Operating transfers in:			
Gifts & Memorials Fund	\$ 1,000	\$ 1,000	\$ -
Operating transfers out:			
Capital Projects Fund	(124,000)	(124,000)	-
Debt Service Fund	(2,073,000)	(2,073,000)	-
<i>Total operating transfers out</i>	<u>(2,197,000)</u>	<u>(2,197,000)</u>	<u>-</u>
<i>Total other financing uses</i>	<u>(2,196,000)</u>	<u>(2,196,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(110,143)	188,961	299,104
FUND BALANCE - BEGINNING OF YEAR	<u>3,267,684</u>	<u>3,267,684</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,157,541</u>	<u>\$ 3,456,645</u>	<u>\$ 299,104</u>